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Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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March 18, 2014

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

16 March 18, 2014

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Supervisors:

**FIVE-YEAR OPTION TO RENEW LEASE NO. 70485
DEPARTMENT OF PUBLIC SOCIAL SERVICES
14714 CARMENITA ROAD, NORWALK
(FOURTH DISTRICT)
(3 VOTES)**

SUBJECT

A five-year lease renewal of 44,250 square feet of office space and 174 parking spaces located at 14714 Carmenita Road, Norwalk, for the Department of Public Social Services.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed lease renewal is categorically exempt from the provisions of the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board, per Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Exercise the final option to renew the lease for a five-year term with Liberty West Inc. (Lessor) for 44,250 square feet of office space and 174 parking spaces located at 14714 Carmenita Road, Norwalk, for the Department of Public Social Services at an annual first year rent not to exceed \$668,133. The rental cost is 91 percent subvented by State and federal funds, and 9 percent net County cost.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Department of Public Social Services (DPSS) has occupied 44,250 square feet of office space at this location since 1999. The facility houses 144 Information Technology Division (ITD) staff, 81 Unisys Corp. staff, and 8 consultants for a total of 233 staff.

Although DPSS has considered consolidating its ITD into one location, DPSS does not have sufficient resources to move and consolidate these sections at this time. At this Norwalk location, ITD provides technical support to personnel systems, including timekeeping and promotional system, Lotus Notes Work Assignment Systems, DPSS Website, GROW, MAPPER systems, and Oracle among others. Approval of the proposed lease renewal will allow the County to extend the term of the lease for five years.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Operational Effectiveness (Goal 1) directs that we maximize the effectiveness of process, structure, and operations to support timely delivery of customer-oriented and efficient public service. In this case, we have ensured that service delivery systems are efficient, effective, and goal-oriented by coordinating information technology services, which are cost-effective, reliable, accessible, and secure. The lease renewal is in accordance with the Strategic Asset Management Principles outlined in Attachment A.

FISCAL IMPACT/FINANCING

The rental cost for the five-year term of the option period shall not exceed \$668,133 annually, with no rental adjustments.

Sufficient funding for the proposed lease renewal is included in the Fiscal Year 2013-14 Rent Expense budget and will be charged back to DPSS. Sufficient funding is available in the DPSS operating budget to cover the proposed lease costs. The annual lease cost is approximately 91 percent subvention funded. Attachment B is an overview of the lease costs for this lease renewal.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Notice of intent to exercise this option has been provided to the Lessor. The lease renewal to exercise the option contains the following terms and conditions.

- The term commences March 18, 2014, upon Board approval and expires five years thereafter.
- There is no cancellation provision any time during the option term.
- The rent includes parking for 174 vehicles.
- The lease renewal continues on a modified full-service basis. The County is responsible for all electrical costs, and the landlord covers all other operating and maintenance costs.

- The current rent was adjusted one time at 18 percent and remained fixed for the five years of the first option term, which began in March 2009. As provided in the Option to Renew Provision of the lease, there is a one-time 10 percent increase of the fixed rent at the commencement of the second and final option period. While the adjusted base rent provides a 10 percent increase of the monthly rent, the adjusted annual base rent of \$15.10 per square foot remains below the market range for the area.
- There are no tenant improvements included with the renewal of the lease.

The Chief Executive Office (CEO), Real Estate Division staff surveyed within a five-mile radius of headquarters for alternative sites that could accommodate a need of 30,000 to 50,000 square feet of space. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement more economically. Additionally, the CEO, Real Estate Division staff surveyed facilities within that area that best could service this need to determine the market rate of comparable sites. Based upon said survey, staff has established that the rental range, including electrical costs, for similar property is between \$14.00 and \$16.24 per square foot per modified full-service. Thus, the base annual rent of \$15.10 per square foot for the base lease cost is within the market range. Attachment C shows the County-owned and leased facilities within the search area, and none are available to house these programs.

The Department of Public Works previously inspected this facility and recommended a seismic upgrade, which was completed by the Lessor in 2003.

ENVIRONMENTAL DOCUMENTATION

The CEO has concluded that this project is exempt from California Environmental Quality Act Guidelines pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board, and Section 15301 of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease renewal will provide the necessary office space for this County requirement. DPSS concurs with the proposed lease renewal.

CONCLUSION

It is requested that the Executive Office, Board of Supervisors return two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division, 222 South Hill Street, Los Angeles, CA 90012.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. T. Fujioka', with a long horizontal line extending to the right.

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:RLR:CMM
CEM:TS:gw

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Public Social Services

ATTACHMENT A

DEPARTMENT OF PUBLIC SOCIAL SERVICES
14714 CARMENITA ROAD, NORWALK
Asset Management Principles Compliance Form¹

1.	<u>Occupancy</u>		Yes	No	N/A
	A	Does lease consolidate administrative functions? ²			X
	B	Does lease co-locate with other functions to better serve clients? ²			X
	C	Does this lease centralize business support functions? ²			X
	D	Does this lease meet the guideline of 200 sq. ft of space per person? ² No. The space is computer lab space with office space for staff and is 210 sf per person.		X	
2.	<u>Capital</u>				
	A	Is it a substantial net County cost (NCC) program? The lease cost is 91 percent State and federal funding and 9 percent NCC.		X	
	B	Is this a long term County program?	X		
	C	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?		X	
	D	If no, are there any suitable County-owned facilities available?		X	
	E	If yes, why is lease being recommended over occupancy in County-owned space?			X
	F	Is Building Description Report attached as Attachment C?	X		
	G	Was build-to-suit or capital project considered? The existing lease terms are lower than market rate.		X	
3.	<u>Portfolio Management</u>				
	A	Did department utilize CEO Space Request Evaluation (SRE)?	X		
	B	Was the space need justified?	X		
	C	If a renewal lease, was co-location with other County departments considered?	X		
	D	Why was this program not co-located?			
		1. ____ The program clientele requires a "stand alone" facility.			
		2. ____ No suitable County occupied properties in project area.			
		3. <u>X</u> No County-owned facilities available for the project.			
		4. ____ Could not get City clearance or approval.			
		5. ____ The Program is being co-located.			
	E	Is lease a full service lease? ² Landlord pays all costs except electricity which they refuse to pay. The County pays electricity costs directly.		X	
	F	Has growth projection been considered in space request? The department has maximized use of the existing space.		X	
	G	Has the Dept. of Public Works completed seismic review/approval?	X		
		¹ As approved by the Board of Supervisors 11/17/98			
		² If not, why not? Please bold any written responses.			

ATTACHMENT B

**FISCAL IMPACT/FINANCING
OVERVIEW OF LEASE RENEWAL**

14714 CARMENITA RD.	EXISTING LEASE	LEASE RENEWAL	CHANGES
AREA (SQUARE FEET)	44,250	44,250	None
TERM	3/17/2009- 3-16-2014	03/17/2014 Upon Board approval	Five years
ANNUAL BASE RENT	\$607,393 (\$13.73/sq.ft.)	\$668,133 (\$15.099/sq.ft.)	+\$60,740
PARKING INCLUDED IN RENT	174 on-site spaces	174 on-site spaces	None
CANCELLATION	None	None	None
OPTION TO RENEW	One five-year option	Final five-year option exercised	No options remain
RENTAL ADJUSTMENT	None during term, 18 percent when option exercised	One time 10 percent increase at exercise of option	- 8 percent

ATTACHMENT C

DEPARTMENT OF PUBLIC SOCIAL SERVICES 14714 CARMENITA ROAD, NORWALK

LACO	FACILITY NAME	ADDRESS	DISTANCE IN MILES	GROSS SQ FT	NET SQ FT
A257	MED CTR-SUPPLIES WAREHOUSE / MEDICAL RECORDS	2011 N SOTO ST. LOS ANGELES 90032	9.2	83,656	75,300
A391	DA CRIMINAL FILE STORAGE / FRAUD INVESTIGATIONS	5300 HARBOR ST, CITY OF COMMERCE 90040	2.2	52,300	49,685
A945	DPSS-DISTRIBUTION CENTER / MULTI-USE WAREHOUSE	2700 GARFIELD AVE, COMMERCE 90040	0.0	60,140	58,537
B050	REGISTRAR-RECORDER-SUPPLIES WAREHOUSE	1050 S MAPLE AVE, MONTEBELLO 90640	1.5	44,000	23,966
D530	TREAS & TAX COLLECTOR-PUBLIC ADMIN WAREHOUSE	4821 GREGG RD, PICO RIVERA 90660	5.4	75,000	62,180
5458	PW CENTRAL YEAR-MAIN WAREHOUSE	1537 ALCAZAR ST, LOS ANGELES 90033	9.3	59,594	53,646
Y201	SHERIFF-CENTRAL PROPERTY WAREHOUSE	14201 TELEGRAPH RD, SOUTH WHITTIER 90604	8/8	55,000	54,044
Y202	SHERIFF-CENTRAL SUPPLY WAREHOUSE	14205 TELEGRAPH RD, SOUTH WHITTIER 90604	8.8	45,000	43,714